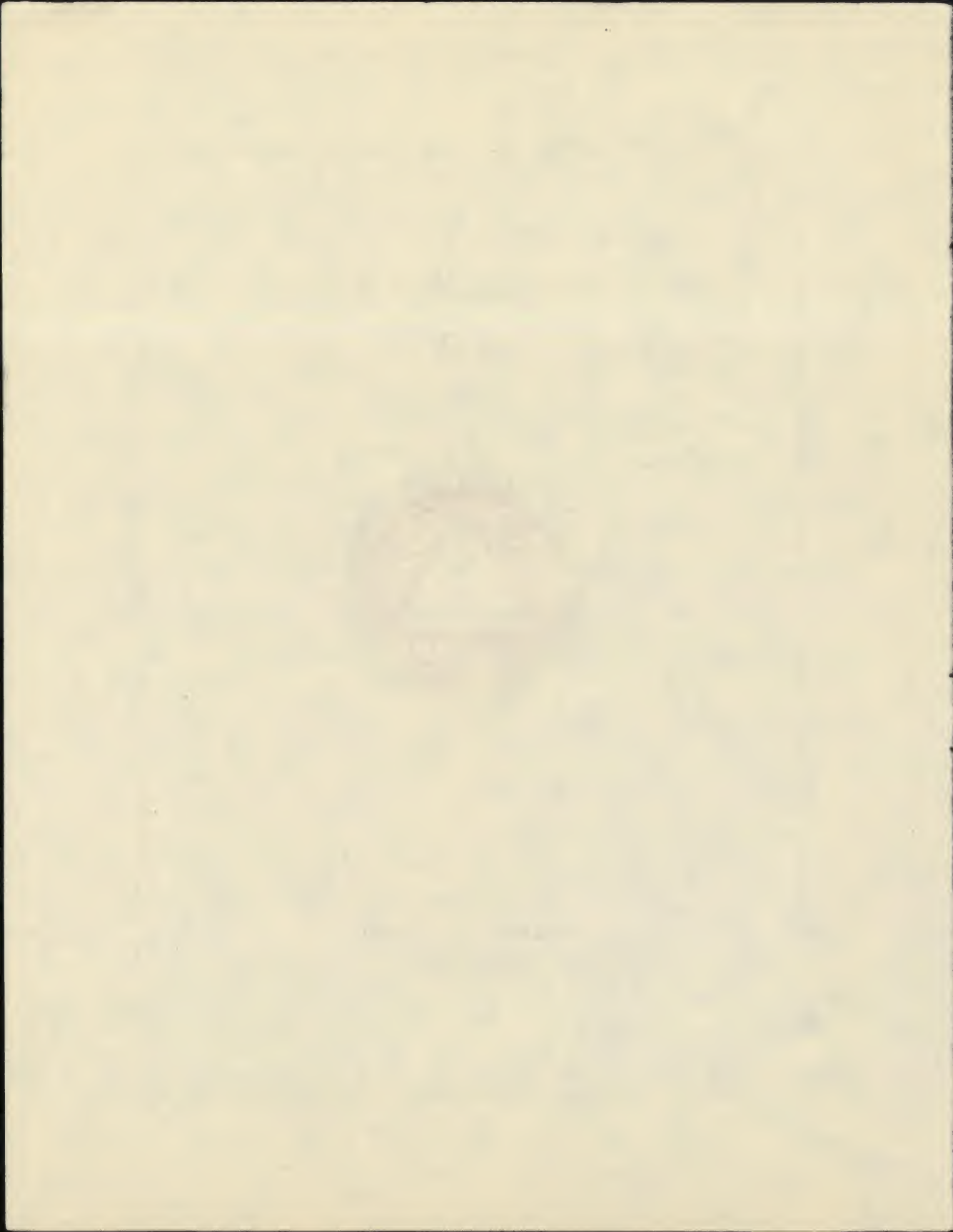


ANNUAL REPORT

1933



WOOLWORTH BUILDING
New York



New York, N. Y.
March 3, 1934.

TO THE STOCKHOLDERS:

The earnings statement and earned and capital surplus accounts of The Grand Union Company and its subsidiaries for the year ended December 31, 1933, together with the consolidated balance sheet as of that date, are submitted herewith.

After deducting depreciation, taxes and all other charges, the net profit for the fiscal year amounted to \$344,816.22. Total sales for the year were \$28,293,445., of which green coffee jobbing sales amounted to \$438,950. Total sales for 1932 were \$30,365,932., of which \$669,146. were green coffee jobbing sales. At the end of the year the company was operating 639 branches compared with 685 branches at the end of 1932.

Your attention is particularly directed to the changes in the consolidated balance sheet resulting from the reduction of the stated capital in respect of the \$3. Series Convertible Preference Stock of the company from \$50. to \$25. per share; to the change in the common stock of the company from no par value to the par value of \$1. per share; to the reduction of Goodwill from \$5,285,527.09. to \$1.; to the revaluation of certain tangible assets and the establishment of certain new and additional reserves, all of which changes (set forth in detail in the accompanying analysis of surplus) were made pursuant to appropriate action by the directors and the stockholders. It is well to keep in mind in considering these changes that the real value of the assets of the company have not been reduced thereby and that the preferential rights of the preference stock have been protected. It is felt by the management that this gives the company a more conservative balance sheet, a more conservative valuation of fixed assets and facilitates the continuance of dividends on the preference stock. Although the current dividend requirements of the preference stock were not fully earned in 1933, the directors felt that the dividend, which is cumulative, should be paid in full in view of the company's cash position and their confidence that 1934 held prospects for better earnings.

J. SPENCER WEED,
President.

THE GRAND U
AND ITS SU

CONSOLIDATED
December

ASSETS

Current assets:

Cash in banks and on hand		\$ 793,989.39
Accounts receivable, less allowances:		
Trade and miscellaneous	\$ 802,136.13	
Advances to agents and employees	44,897.68	847,033.81
Inventories of merchandise, materials and supplies, at cost (not in excess of market)		2,787,020.27
Premiums advanced to customers, at cost, less cost of profit sharing credits	552,472.28	
Less, Allowance for losses	138,118.07	414,354.21
Prepaid expenses		78,271.56
Total current assets		4,920,669.24
Employees' fidelity fund cash and investments at less than market quotations		6,083.64
Investments at book amounts representing costs less \$30,263.63 allowance (market quotations not ascertainable)		23,278.00
Real estate, at cost, less \$203,629.21 allowance to reduce to amounts representing various appraisals during 1933		178,675.00
Machinery, fixtures and equipment, at cost	2,887,373.51	
Less, Allowances for revaluation of certain assets as of December 31, 1932, by Board of Directors to the general basis of 85 per cent. of cost	370,868.93	
	2,516,504.58	
Less, Allowances for depreciation after elimination of allowances pertaining to above \$370,868.93	865,467.23	1,651,037.35
Good will		1.00

\$6,779,744.23

BSIDIARIES

31, 1933

Current liabilities:

Bankers' acceptances secured by coffee imports	-	-	-	-	-	\$ 154,515.18
Accounts payable	-	-	-	-	-	703,256.18
Accrued expenses	-	-	-	-	-	79,040.67
Provision for federal income and capital stock taxes	-	-	-	-	-	22,000.00
Total current liabilities	-	-	-	-	-	958,812.03

Employees' fidelity deposits	/	/	/	/	/	/	/	/	47,722.56
Mortgages on real estate	/	/	/	/	/	/	/	/	14,000.00
Reserve for unredeemed premium tickets	/	/	/	/	/	/	/	/	47,460.00
Reserve for rentals and expenses of closed stores	/	/	/	/	/	/	/	/	28,173.00
Minority stockholders of subsidiary company	/	/	/	/	/	/	/	/	6,334.41
									1,102,502.00

Capital stock:

Convertible preference stock without par value,
entitled to \$60 per share on redemption or
in liquidation;

Authorized 500,000 shares

Outstanding 159,550 shares of \$3 dividend series	\$3,988,750.00
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Common stock, par value \$1 per share:

Authorized 750,000 shares, issued 282,817 shares of which 282,804 are represented by voting trust certificates	282,817.00
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4,271,567.00

Note: 7500 shares of common stock are under option for five years from June 1, 1934 at \$2.50 per share out of a total of 50,000 shares reserved for issue at not less than \$2.50 per share.

Capital surplus, as annexed	-	-	\$ 657,647.14
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Earned surplus, as annexed	-	-	749,633.09
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1,407,280.23

Less, Cost of voting trust certificates for 400 shares of common stock held in

1,605.00

1,405,675.23

5,677,242.23

\$6,779,744.23

Depreciation deducted in the above income account has been computed at the rates used in previous years, but for 1933 such rates were applied to gross costs of fixed assets after deduction of allowances made in connection with revaluations of such assets as at December 31, 1932. While leasehold improvements were capitalized and depreciated in former years, during 1933 such leasehold improvements as were made in that year were charged directly to store expenses.

AUDITORS' CERTIFICATE

THE GRAND UNION COMPANY,
New York, N. Y.

We have made examinations of the balance sheets of THE GRAND UNION COMPANY and of its Subsidiaries as at December 31, 1933 and of the related statements of income and surplus for the year then ended. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made general reviews of the accounting methods and of the operating and income accounts for the year, but we did not make detailed audits of the transactions.

In connection with reductions in stated values of capital stocks of The Grand Union Company, made during 1933, the companies reduced the book amounts at which certain assets had been carried previously and, at the same time, adopted certain more conservative principles of accounting in accordance with which development expenses and leasehold improvements are charged off currently and increased allowances are maintained for losses on receivables and premiums advanced. In our opinion, based upon the above outlined examinations, the accompanying balance sheet and related statements of income, earned surplus and capital surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review (except as aforementioned and as noted in the annexed statements of income, earned surplus and capital surplus), the consolidated financial position of The Grand Union Company and its Subsidiaries at December 31, 1933 and the consolidated results of their operations for the year then ended.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 28, 1934.

CONSOLIDATED EARNED SURPLUS ACCOUNT

for the year ended December 31, 1933

Balance, December 31, 1932	\$1,650,230.92
Net income from current operations for 1933, as annexed	344,816.22
	<u>1,995,047.14</u>

Deduct:

Adjustments made in connection with reductions in stated values of capital stocks:

Write-off of unamortized balance of leasehold improvements at December 31, 1932, exclusive of 15 per cent. thereof charged to annexed capital surplus account (during 1933, costs of such leasehold improvements as were made in that year were charged to current operations)	\$ 275,967.98	
Increases in December 31, 1932 allowances against accounts receivable and premiums advanced to customers to percentages of such asset balances used in 1933 and, according to management, to be used thereafter as minimums in determining the amounts of such allowances to be carried in any consolidated balance sheet of the companies	217,607.49	
Reductions in book amounts of excess store equipment carried at December 31, 1932 to management's valuations	112,733.13	
Provisions for net amount of future rentals and estimated expenses of stores which had been closed prior to December 31, 1932 or which the management had decided to close prior to that date	64,000.00	
Allowances for losses resulting from closed banks and bankruptcy of insurance companies	45,000.00	
Revaluations of miscellaneous investments purchased for cash	2,224.13	717,532.73
		<u>1,277,514.41</u>
Expenses, after closing, of certain stores which became unprofitable in 1933 due to conditions arising in that year and \$14,028.58 losses on sales of fixed assets, largely from such stores, but also including losses on sales of other excess equipment	35,964.54	
Additional federal income taxes for prior years	10,501.78	
Good will of stores purchased during 1933, charged off	2,765.00	
Dividends paid on preference stock	478,650.00	527,881.32
Balance, December 31, 1933		<u><u>\$ 749,633.09</u></u>

Balances, December 31, 1932:

Add:

6,454,129.59

Deduct:

631,175.89

Add:

	\$ 657,647.14
Balance, December 31, 1933	\$ 657,647.14

OFFICERS

J. SPENCER WEED
President

LANSING P. SHIELD
Vice-President

LOUIS C. WADMOND
Vice-President

O. B. WESTPHAL
Vice-President

WILLIAM C. McFEELY
Secretary

SAMUEL WINOKUR
Treasurer



DIRECTORS

RALPH T. CRANE

JOHN FOSTER DULLES

RAY MORRIS

JOHN W. PRENTISS

J. SPENCER WEED

